

## Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Vienna Township	County Genesee
Fiscal Year End 12/31/06	Opinion Date 3/27/07	Date Audit Report Submitted to State	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	Report on Internal Control over Financial Reporting and on Compliance	
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 810-767-5350		
Street Address 111 East Court Street, Suite 1A		City Flint	State MI	Zip 48502
Authorizing CPA Signature 		Printed Name Tadd Harburn		License Number 1101014134

**Financial Report**

**Charter Township of Vienna  
Genesee County, Michigan**

**December 31, 2006**

**Charter Township of Vienna  
Financial Statements  
Year Ended December 31, 2006**

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**Charter Township of Vienna  
Financial Statements  
Year Ended December 31, 2006**

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**Charter Township of Vienna  
Genesee County, Michigan  
List of Elected, Civil and Appointed Officials  
December 31, 2006**

Anthony McKerchie, Supervisor

Richard Scott, Clerk

Paul Luttenbacher, Treasurer

Dennis Fuller, Trustee

Kathy Ridley, Trustee

Randy Taylor, Trustee

Michael J. Zinn, Trustee

Robert Palmer, Superintendent



*Report of Independent Auditor's*

The Honorable Members  
of the Township Board of the  
Charter Township of Vienna  
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Vienna, Genesee County, Michigan (Township) as of December 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Vienna as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

March 27, 2007

## **Management's Discussion and Analysis**



## **Charter Township of Vienna Management's Discussion and Analysis**

Our discussion and analysis of the Charter Township of Vienna's performance provides an overview of Vienna Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2006:

- Property taxes, our largest revenue source, increased by approximately \$57,919 or 4.62%.
- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$10,113 this year.
- Total net assets related to the Township's governmental activities increased by \$154,753. The unrestricted portion of the net assets decreased by \$904,996.
- Total long-term liabilities increased by \$1,130,778. The main reason for this increase can be attributed to the acquisition of a 15-year loan for the construction of a new senior center.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of Vienna Township as a whole and present a longer-term view of Vienna Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report Vienna Township's operations in more detail than the governmental-wide financial statements by providing information about Vienna Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Vienna Township acts solely as a trustee or agent for the benefits of those outside of the government.

Vienna Township as a Whole:

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

**Summary Condensed Statement of Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current assets	\$ 4,158,561	\$ 4,407,187	\$ 782,776	\$ 729,164	\$ 4,941,337	\$ 5,136,351
Noncurrent assets:						
Restricted assets	1,297,726	1,919,462	-	-	1,297,726	1,919,462
Capital assets	<u>8,325,247</u>	<u>6,164,050</u>	<u>10,375,950</u>	<u>9,356,007</u>	<u>18,701,197</u>	<u>15,520,057</u>
Total assets	13,781,534	12,490,699	11,158,726	10,085,171	24,940,260	22,575,870
Current liabilities	2,694,000	2,886,268	712,985	554,209	3,406,985	3,440,477
Long-term liabilities	<u>6,552,471</u>	<u>5,224,121</u>	<u>1,684,768</u>	<u>1,188,362</u>	<u>8,237,239</u>	<u>6,412,483</u>
Total liabilities	<u>9,246,471</u>	<u>8,110,389</u>	<u>2,397,753</u>	<u>1,742,571</u>	<u>11,644,224</u>	<u>9,852,960</u>
Net assets:						
Invested in capital assets -						
Net of related debt	2,614,722	2,081,617	8,187,597	7,845,355	10,802,319	9,926,972
Restricted	1,394,044	867,400	-	-	1,394,044	867,400
Unrestricted	<u>526,297</u>	<u>1,431,293</u>	<u>573,376</u>	<u>497,245</u>	<u>1,099,673</u>	<u>1,928,538</u>
Total net assets	<u>\$ 4,535,063</u>	<u>\$ 4,380,310</u>	<u>\$ 8,760,973</u>	<u>\$ 8,342,600</u>	<u>\$ 13,296,036</u>	<u>\$ 12,722,910</u>

Vienna Township's combined net assets increased 4.5 percent from a year ago – increasing from \$12,722,910 to \$13,296,036. As we look at the governmental activities separately from the business-type activities, we can see that they increased 3.5 percent and 5.01 percent respectively.

Business-type activities current assets increased \$53,612. Business-type capital assets increased \$1,019,943 from a year ago. This large increase is mainly due to the Linden Road Sewer Replacement being added to the business-type activities capital assets. The Vienna Township Business Development Authority has agreed to contribute the annual debt payment on the Linden Road sewer extension note to the Township.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – decreased by \$904,996 for the governmental activities. This represents a decrease of approximately 6.3 percent. The current level of unrestricted net assets of our governmental activities stands at \$526,297, or about 15 percent of total expenses. This is within the targeted range set by Vienna Township during its last budget process.

The following table shows the changes in net assets (in thousands of dollars) as of December 31, 2006 and the prior year.

Summary Condensed Income  
Statement:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenue</b>						
Program revenue:						
Charges for services	\$1,091,882	\$1,154,356	\$1,184,623	\$1,102,557	\$2,276,505	\$2,256,913
Operating grants and contributions	119,051	5,491	-	-	119,051	5,491
Capital grants and contributions	-	-	303,973	694,560	303,973	694,560
General revenue:						
Property taxes	1,255,016	1,197,097	-	-	1,255,016	1,197,097
State-shared revenue	995,043	1,005,156	-	-	995,043	1,005,156
Unrestricted investment earnings	135,776	91,128	15,791	17,361	151,567	108,489
Franchise fees	115,551	110,963	-	-	115,551	110,963
Miscellaneous revenue	190,000	-	-	-	190,000	-
Gain (loss) on disposal of capital assets	-	222	-	-	-	222
Transfers	<u>(249,035)</u>	<u>(84,237)</u>	<u>249,035</u>	<u>84,237</u>	<u>-</u>	<u>-</u>
Total revenue	3,653,284	3,480,176	1,753,422	1,898,715	5,406,706	5,378,891
<b>Program Expenses</b>						
General government	762,389	814,886	-	-	762,389	814,886
Public safety	1,543,029	1,311,479	-	-	1,543,029	1,311,479
Public service	309,214	351,549	-	-	309,214	351,549
Sanitation	652,381	630,617	-	-	652,381	630,617
Parks and Recreation and Seniors	83,137	70,475	-	-	83,137	70,475
Retirement Benefits	32,025	29,175	-	-	32,025	29,175
Interest on long-term debt	116,356	-	-	-	116,356	-
Water and sewer	<u>-</u>	<u>-</u>	<u>1,335,049</u>	<u>1,167,244</u>	<u>1,335,049</u>	<u>1,167,244</u>
Total revenue expenses	<u>3,498,531</u>	<u>3,208,181</u>	<u>1,335,049</u>	<u>1,167,244</u>	<u>4,833,580</u>	<u>4,375,425</u>
<b>Change in Net Assets</b>	154,753	271,995	418,373	731,471	573,126	1,003,466
<b>Net Assets - Beginning of year (Restated)</b>	<u>4,380,310</u>	<u>4,108,315</u>	<u>8,342,600</u>	<u>7,611,129</u>	<u>12,722,910</u>	<u>11,719,444</u>
<b>Net Assets - End of year</b>	<u><b>\$4,535,063</b></u>	<u><b>\$4,380,310</b></u>	<u><b>\$8,760,973</b></u>	<u><b>\$8,342,600</b></u>	<u><b>\$13,296,036</b></u>	<u><b>\$12,722,910</b></u>

## **Governmental Activities**

Vienna Township's total governmental revenues increased by \$183,097, despite decreases in state-shared revenue and charges for services. The increase, which represents 5.27 percent, was primarily due to the continuing increase in property taxes, an increase in investment earnings and an increase in operating grants and contributions.

Expenses increased by \$290,350 during the year. The main factors for this were led by large increases for police protection and interest payments on long-term debt. To offset this, Vienna Township closely monitored its spending in all other areas, including road construction projects and capital outlay expenditures.

## **Business Type Activities**

Vienna Township's business-type activities consist of the Water and Sewer Funds. We provide water to residents from the Genesee County Water System. We provide sewage treatment through a sewage treatment plant operated by Genesee County Water and Waste. Sewer and water expenses increased in 2006 by approximately \$167,805. A large part of this increase can be attributed to the implementation of a Preventative Maintenance Plan for the sewer lines. There were eight miles of sewer lines videoed in 2006. Another factor was the complete overhaul of the Clio Road Pump station located in Vienna Township.

## **Vienna Township Funds**

Our analysis of Vienna Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not Vienna Township as a whole. The Vienna Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. Vienna Township's major governmental funds for 2006 include the General Fund, the Sanitation Fund, and the Capital Projects Fund.

The General Fund pays for most of Vienna Township's governmental services. The most significant are police and fire, which incurred expenses of approximately \$1,300,768 in 2006. Of the two services, the Township's share of the Fire Authority costs are supported by a 1 mill fire millage, which is recorded in the Public Safety Department.

## **General Fund Budgetary Highlights**

Over the course of the year, Vienna Township amended the budget to take into account events during the year. The most significant changes were to increase the Township Hall & Grounds budget by \$14,200 mainly due to a full time maintenance employee being eligible for health care benefits and pension, which went into effect in March 2006. The Public Safety budget was increased by \$87,725 due to the hiring of an additional sheriff deputy and an increase in the total costs for police protection. Overall, Vienna Township's departments stayed below budget, resulting in total expenditures \$61,263 below budget. Vienna Township anticipated a \$404,125 decrease in Fund Balance at the end of 2006. However, Fund Balance only decreased \$248,326 resulting in a difference of \$155,799 less than what was originally anticipated.

### **Capital Asset and Debt Administration**

At the end of 2006, Vienna Township had \$18,701,197 invested in a broad range of capital assets, including buildings, machinery, equipment and water and sewer lines. In addition, Vienna Township has invested significantly in roads within Vienna Township.

### **Economic Factors and Next Year's Budgets and Rates**

- In recent years, Vienna Township has averaged approximately 100 new housing units constructed annually. 2006 was a particularly down year with only 22 new home starts, and it is probable that the low levels will continue in 2007. However, there are currently 3 major active developments, and 3 more in the planning stages. This will still result in some residential growth. This growth will be reflected in a smaller increase in State Equalized Value, tax revenues, sewer and water usage and building fee revenues.
- Vienna Township is a major commercial center for Northern Genesee County. Currently there are 3 major commercial developments going under construction and over 200 additional acres under the control of developers in the planning and marketing stages. This growth is projected at \$100 million or more in new construction that will also be reflected in an increased State Equalized Value, tax revenues, sewer and water usage and building fee revenues.

The positive trends shown below support the budget expenditures for continued new development and corresponding revenue increases for the next year.

<u>Year</u>	<u>Total State Equalized Value</u>
2001	\$299,280,000
2002	\$328,830,000
2003	\$355,540,000
2004	\$379,770,000
2005	\$414,070,000
2006	\$439,400,000
2007	\$462,200,000

Over the last 5 years, Vienna Township has averaged over \$250,000 annually in contributions (primarily tap-in fees) to finance the construction of additional water and sewer lines. In 2006, tap-in fees amounted to \$215,300. Vienna Township has no plans to construct sewer and water infrastructure in the upcoming year. The 3 already approved commercial projects will assure that the 2007 tap-in fees will exceed the \$250,000 average.

### **Contacting the Vienna Township Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Vienna Township's finances and to show Vienna Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Office of the Supervisor, 3400 W. Vienna Road, Vienna Township, Clio MI, 48420.

## **Basic Financial Statements**

## **Government-wide Financial Statements**

**Vienna Township  
Statement of Net Assets  
December 31, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Building Development Authority
<b>Assets</b>				
Cash and equivalents	\$ 1,273,628	\$ 271,341	\$ 1,544,969	\$ 262,879
Investments	582,953	-	582,953	200,000
Receivables	2,162,851	489,765	2,652,616	-
Due from other governments	160,563	-	160,563	-
Internal balances	(21,670)	21,670	-	-
Prepaid items	236	-	236	-
Restricted cash	1,297,726	-	1,297,726	281,838
Capital assets (not depreciated)	1,147,058	55,200	1,202,258	15,000
Capital assets (net of accumulated depreciation)	7,178,189	10,320,750	17,498,939	89,168
Total assets	13,781,534	11,158,726	24,940,260	848,885
<b>Liabilities</b>				
Accounts payable	26,062	19,432	45,494	632
Due to other governments	78,555	189,968	268,523	-
Deposits	18,400	-	18,400	-
Deferred revenue	2,066,177	-	2,066,177	-
Retainer payable	49,026	-	49,026	47,638
Noncurrent liabilities:				
Due within one year	455,780	503,585	959,365	-
Due in more than one year	6,552,471	1,684,768	8,237,239	-
Total liabilities	9,246,471	2,397,753	11,644,224	48,270
<b>Net Assets</b>				
Invested in capital assets-				
Net of related debt	2,614,722	8,187,597	10,802,319	104,168
Restricted for:				
Sanitation	50,520	-	50,520	-
Retiree health care benefits	94,824	-	94,824	-
Capital projects	1,248,700	-	1,248,700	281,838
Unrestricted	526,297	573,376	1,099,673	414,609
Total net assets	<b>\$ 4,535,063</b>	<b>\$ 8,760,973</b>	<b>\$ 13,296,036</b>	<b>\$ 800,615</b>

*See notes to financial statements.*



**Vienna Township  
Statement of Activities  
Year Ended December 31, 2006**

<b>Functions\Programs</b>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 762,389	\$ 200,269	110,000	\$ -
Public safety	1,543,029	238,911	-	-
Public service	309,214	16,719	9,051	-
Sanitation	652,381	635,983	-	-
Retirement benefits	32,025	-	-	-
Interest on long-term debt	116,356	-	-	-
Recreation and culture	83,137	-	-	-
Total governmental activities	3,498,531	1,091,882	119,051	-
Business-type activities:				
Sewer	787,943	648,444	-	135,973
Water	547,106	536,179	-	168,000
Total business-type activities	1,335,049	1,184,623	-	303,973
Total primary government	<b>\$ 4,833,580</b>	<b>\$ 2,276,505</b>	<b>\$ 119,051</b>	<b>\$ 303,973</b>
Component units:				
Business Development Authority	\$ 316,352	\$ -	\$ -	\$ 56,800
Total component units	<b>\$ 316,352</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ 56,800</b>
General revenues:				
Property taxes				
State shared revenues				
Unrestricted investment earnings				
Franchise fees				
Special item- Gain on sale of cell tower lease				
Transfers				
Total general revenues, special items, and transfers				
<b>Change in net assets</b>				
<b>Net Assets</b> - Beginning of year, as restated				
<b>Net Assets</b> - Ending of year				

*See notes to financial statements.*

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Business Development Authority
\$ (452,120)	\$ -	\$ (452,120)	\$ -
(1,304,118)	-	(1,304,118)	-
(283,444)	-	(283,444)	-
(16,398)	-	(16,398)	-
(32,025)	-	(32,025)	-
(116,356)	-	(116,356)	-
(83,137)	-	(83,137)	-
(2,287,598)	-	(2,287,598)	-
-	(3,526)	(3,526)	-
-	157,073	157,073	-
-	153,547	153,547	-
(2,287,598)	153,547	(2,134,051)	-
-	-	-	(259,552)
-	-	-	(259,552)
1,255,016	-	1,255,016	394,503
995,043	-	995,043	-
135,776	15,791	151,567	15,510
115,551	-	115,551	-
190,000	-	190,000	-
(249,035)	249,035	-	-
2,442,351	264,826	2,707,177	410,013
154,753	418,373	573,126	150,461
4,380,310	8,342,600	12,722,910	650,154
<b>\$ 4,535,063</b>	<b>\$ 8,760,973</b>	<b>\$ 13,296,036</b>	<b>\$ 800,615</b>

## **Fund Financial Statements**

**Vienna Township  
Governmental Funds  
Balance Sheet  
December 31, 2006**

	General Fund	Sanitation Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,079,116	\$ 52,906	\$ 96,687	\$ 44,919	\$ 1,273,628
Investments	503,006	-	-	79,947	582,953
Receivables:					
Current taxes	1,430,678	-	-	-	1,430,678
Accounts	95,228	-	-	1,553	96,781
Special assessments	-	635,392	-	-	635,392
Due from other funds	247,411	-	-	2,305	249,716
Due from other governments	160,563	-	-	-	160,563
Prepaid items	236	-	-	-	236
Restricted cash	-	-	1,297,726	-	1,297,726
<b>Total assets</b>	<b>\$ 3,516,238</b>	<b>\$ 688,298</b>	<b>\$ 1,394,413</b>	<b>\$ 128,724</b>	<b>\$ 5,727,673</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 5,484	\$ -	\$ 8,873	\$ 11,703	\$ 26,060
Retainer payable	-	-	49,026	-	49,026
Deposits	-	-	-	18,400	18,400
Due to other funds	188,358	2,250	76,981	3,797	271,386
Due to other governments	78,555	-	-	-	78,555
Deferred revenue	1,430,649	635,528	-	-	2,066,177
<b>Total liabilities</b>	<b>1,703,046</b>	<b>637,778</b>	<b>134,880</b>	<b>33,900</b>	<b>2,509,604</b>
<b>Fund Balances</b>					
Reserved for prepaid items	236	-	-	-	236
Unreserved reported in :					
General fund	1,812,956	-	-	-	1,812,956
Special revenue funds	-	50,520	-	94,824	145,344
Capital projects funds	-	-	1,259,533	-	1,259,533
<b>Total fund balances</b>	<b>1,813,192</b>	<b>50,520</b>	<b>1,259,533</b>	<b>94,824</b>	<b>3,218,069</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,516,238</b>	<b>\$ 688,298</b>	<b>\$ 1,394,413</b>	<b>\$ 128,724</b>	<b>\$ 5,727,673</b>

*See notes to financial statements.*

**Vienna Township  
Governmental Funds  
Reconciliation of the Balance Sheet  
to the Statement of Net Assets  
Year Ended December 31, 2006**

Fund balances reported in governmental funds	\$ 3,218,069
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	8,325,245
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(7,008,251)</u>
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Net assets of governmental activities	<u><u>\$ 4,535,063</u></u>
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*See notes to financial statements.*

**Vienna Township  
Governmental Funds  
Statement of Revenue, Expenditures, and Changes in Fund Balances  
Year Ended December 31, 2006**

	General Fund	Sanitation Fund	Capital Projects
<b>Revenue</b>			
Taxes	\$ 1,255,016	\$ -	\$ -
Special assessments	-	630,224	-
Licenses and permits	7,631	-	-
Intergovernmental:			
State	1,004,094	-	-
Charges for services	374,314	-	-
Interest	91,563	15,314	19,348
Miscellaneous	150,989	5,759	-
Total revenue	2,883,607	651,297	19,348
<b>Expenditures</b>			
<b>Current</b>			
General government:			
Township Board	184,311	-	-
Supervisor	68,743	-	-
Assessor	130,422	-	-
Elections	14,882	-	-
Clerk	67,056	-	-
Treasurer	67,539	-	-
Township hall and grounds	77,738	-	-
Cemetery	24,128	-	-
Planning department	44,680	-	-
Parks and recreation	14,833	-	-
Senior Center	68,304	-	-
Public safety:			
Police	968,973	-	-
Fire	331,795	-	-
Building inspection	-	-	-
Public service	136,258	-	-
Sanitation	-	652,381	-
Retirement benefits	-	-	-
Debt service:			
Principal	663,644	-	230,000
Interest	116,356	-	-
Capital outlay	-	-	2,466,441
Total expenditures	2,979,662	652,381	2,696,441
<b>Excess of Revenue Over (Under) Expenditures</b>	(96,055)	(1,084)	(2,677,093)
<b>Other Financing Sources (Uses)</b>			
Bond proceeds	-	-	1,900,000
Transfers in	-	-	9,495
Transfers out	(342,271)	-	-
Total other financing sources (uses)	(342,271)	-	1,909,495
<b>Special Item:</b>			
Proceeds from sale of cell tower lease	190,000	-	-
<b>Net change in fund balances</b>	(248,326)	(1,084)	(767,598)
<b>Fund Balances-</b> Beginning of year, as restated	2,061,518	51,604	2,027,131
<b>Fund Balances-</b> End of year	<b>\$ 1,813,192</b>	<b>\$ 50,520</b>	<b>\$ 1,259,533</b>

*See notes to financial statements.*

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,255,016
-	630,224
146,381	154,012
-	1,004,094
-	374,314
9,551	135,776
2,135	158,883
158,067	3,712,319
-	184,311
-	68,743
-	130,422
-	14,882
-	67,056
-	67,539
-	77,738
-	24,128
-	44,680
-	14,833
-	68,304
-	968,973
-	331,795
192,862	192,862
-	136,258
-	652,381
32,025	32,025
-	893,644
-	116,356
-	2,466,441
224,887	6,553,371
(66,820)	(2,841,052)
-	1,900,000
83,741	93,236
-	(342,271)
83,741	1,650,965
-	190,000
16,921	(1,000,087)
77,903	4,218,156
<b>\$ 94,824</b>	<b>\$ 3,218,069</b>

See notes to financial statements.

**Vienna Township  
Governmental Funds  
Reconciliation of the Statement of Revenue, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended December 31, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (1,000,087)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	2,477,927
Depreciation expense	(316,731)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	893,644
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Bond proceeds provide financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets.	(1,900,000)
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<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 154,753</u></u></b>
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*See notes to financial statements.*



**Vienna Township  
Proprietary Funds  
Statement of Net Assets  
December 31, 2006**

	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Totals</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 300	\$ 271,041	\$ 271,341
Receivables:			
Accounts	38,075	-	38,075
Unbilled utility charges	260,072	-	260,072
Delinquent fees	114,844	10,025	124,869
Customer assessments	12,810	41,540	54,350
Tap-in contracts - current portion	1,058	3,066	4,124
Due from other funds	3,797	238,610	242,407
	<hr/>	<hr/>	<hr/>
Total current assets	430,956	564,282	995,238
	<hr/>	<hr/>	<hr/>
Noncurrent assets:			
Capital assets:			
Land	55,200	-	55,200
Utility system	8,772,261	4,365,366	13,137,627
Office equipment	4,275	-	4,275
	<hr/>	<hr/>	<hr/>
Total	8,831,736	4,365,366	13,197,102
Less accumulated depreciation	1,810,178	1,010,974	2,821,152
	<hr/>	<hr/>	<hr/>
Net capital assets	7,021,558	3,354,392	10,375,950
	<hr/>	<hr/>	<hr/>
Other assets:			
Tap-in contracts receivable - long-term	4,149	4,126	8,275
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	7,025,707	3,358,518	10,384,225
	<hr/>	<hr/>	<hr/>
Total assets	<b>\$ 7,456,663</b>	<b>\$ 3,922,800</b>	<b>\$ 11,379,463</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*See notes to financial statements.*

	Sewer Utility	Water Utility	Totals
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 1,281	\$ 18,151	\$ 19,432
Due to other funds	220,737	-	220,737
Due to other governments	109,354	80,614	189,968
Notes payable - current	436,655	66,930	503,585
Total current liabilities	768,027	165,695	933,722
Noncurrent liabilities:			
Long-term - notes payable	1,326,867	357,901	1,684,768
Total liabilities	2,094,894	523,596	2,618,490
<b>Net Assets</b>			
Invested in capital assets, net of related debt	5,258,036	2,929,561	8,187,597
Unrestricted	103,733	469,643	573,376
Total net assets	5,361,769	3,399,204	8,760,973

*See notes to financial statements.*

**Vienna Township**  
**Proprietary Funds**  
**Statement of Revenue, Expenses, and Changes in Net Assets**  
**Year Ended December 31, 2006**

	Sewer Utility	Water Utility	Totals
<b>Operating Revenue</b>			
Charges for services	\$ 618,319	\$ 536,051	\$ 1,154,370
Late charges/penalties	30,105	43	30,148
Miscellaneous	20	85	105
Total operating revenue	648,444	536,179	1,184,623
<b>Operating Expenses</b>			
Cost of sewage treatment	449,535	-	449,535
Cost of water purchased	-	395,927	395,927
Depreciation	87,723	72,289	160,012
Maintenance and repair	159,849	-	159,849
Professional services	1,224	3,283	4,507
Salaries and fringe benefits	40,888	25,532	66,420
Computer billing charge	2,806	1,270	4,076
Office supplies and postage	299	-	299
Insurance	100	53	153
Miscellaneous	90	21,027	21,117
Operating supplies	2,057	-	2,057
Total operating expenses	744,571	519,381	1,263,952
<b>Operating Income (Loss)</b>	(96,127)	16,798	(79,329)
<b>Nonoperating Revenue (Expenses)</b>			
Interest on investments	4,017	10,217	14,234
Interest on tap-ins	421	1,136	1,557
Interest expense	(43,372)	(27,725)	(71,097)
Total non-operating expenses	(38,934)	(16,372)	(55,306)
<b>Income (Loss)- Before contributions and transfers</b>	(135,061)	426	(134,635)
Capital contributions	135,973	168,000	303,973
Transfers in	249,035	-	249,035
<b>Change in Net Assets</b>	249,947	168,426	418,373
<b>Net Assets- Beginning of year</b>	5,111,822	3,230,778	8,342,600
<b>Net Assets- End of year</b>	<b>\$ 5,361,769</b>	<b>\$ 3,399,204</b>	<b>\$ 8,760,973</b>

*See notes to financial statements.*

**Vienna Township  
Proprietary Funds  
Statement of Cash Flows  
Year Ended December 31, 2006**

	Sewer Utility	Water Utility	Totals
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 605,321	\$ 518,911	\$ 1,124,232
Payments to vendors	(700,492)	(412,368)	(1,112,860)
Payments to employees	(40,888)	(25,532)	(66,420)
Net cash provided by (used in) operating activities	(136,059)	81,011	(55,048)
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers from other funds	249,035	-	249,035
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital contributions	142,292	140,926	283,218
Debt issuance	1,000,000	-	1,000,000
Purchase of capital assets	(1,064,270)	(149,783)	(1,214,053)
Principal payments on capital debt	(256,761)	(65,541)	(322,302)
Interest paid on capital debt	(43,372)	(27,725)	(71,097)
Net cash used in capital and related financing activities	(222,111)	(102,123)	(324,234)
<b>Cash Flows from Investing Activities</b>			
Interest on investments	4,017	10,217	14,234
Interest on tap-ins	421	1,136	1,557
Net cash provided by investing activities	4,438	11,353	15,791
<b>Net Decrease in Cash and Cash Equivalents</b>	(104,697)	(9,759)	(114,456)
<b>Cash and Cash Equivalents - Beginning of year</b>	104,997	280,800	385,797
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 300</b>	<b>\$ 271,041</b>	<b>\$ 271,341</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ (96,127)	\$ 16,798	\$ (79,329)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	87,723	72,289	160,012
Changes in assets and liabilities:			
Accounts receivable	(43,123)	(3,678)	(46,801)
Due from other funds	-	(13,590)	(13,590)
Accounts payable	(2,928)	911	(2,017)
Due to other funds	(86,922)	-	(86,922)
Due to other governments	5,318	8,281	13,599
Net cash provided by (used in) operating activities	<b>\$ (136,059)</b>	<b>\$ 81,011</b>	<b>\$ (55,048)</b>

*See notes to financial statements.*

**Vienna Township  
Fiduciary Funds  
Statement of Fiduciary Net Assets  
December 31, 2006**

	<u>Agency Fund</u> <u>Tax Collection</u> <u>Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u><u>\$          3,103,847</u></u>
<b>Liabilities</b>	
Unallocated taxes	<u><u>\$          3,103,847</u></u>

*See notes to financial statements.*

## **Notes to Basic Financial Statements**

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**I. Summary of significant accounting policies**

The accounting policies of the Charter Township of Vienna (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

**A. Reporting entity**

The Township of Vienna, Michigan elected Charter Township status in August 1978. The Township provides the following services as authorized by its charter: public safety (police, fire, and inspections), highways and streets, sanitation, public improvements, recreation, planning, and general administrative services.

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Discretely presented component unit**

**Business Development Authority:** The members of the governing board are appointed by the Township supervisor and approved by the Township Board. The Authority's operational and capital budgets must be approved by the Township Board. The Authority was created on May 23, 1992, under Act 197, Public Act of Michigan, 1975, as amended. The Business Development Authority does not issue separate financial statements. However, detailed financial information can be obtained from the Authority's administrative offices.

Administrative Office:  
Business Development Authority of Vienna Township  
3400 W. Vienna Road  
Clio, Michigan 48420

**Jointly governed organizations**

The following organizations are not included in the Township's annual report as component units, but rather are considered joint ventures.

The organizations have the following characteristics:

Clio Area Library and Clio Area Fire Authority

- Financed by other communities besides the Township of Vienna
- Serve several communities outside the Township
- Vienna Township has no obligation to fund deficits of the library or guarantee its debt; nor is it responsible for approving the library's operating budget.

The Clio Library and Fire Authority have June 30 and March 31 year ends, respectively. Audited financial statements of both organizations for the years ended June 30, 2006, and March 31, 2006, are available for public inspection at the Charter Township of Vienna.

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**I. Summary of significant accounting policies - (continued)**

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be *available* if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.



**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**I. Summary of significant accounting policies - (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

Property taxes, licenses, state shared revenues and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The Sanitation Fund is used to account for the customer charges which are to be used to pay contracted services for rubbish collection.

The Capital Projects Fund is used to account for financial resources used for the contribution of major capital improvements.

The Township reports the following major proprietary funds:

The Water Supply and Sewer Disposal System are separate funds maintained for the operations of the water distribution system and the sewage pumping and collection system that transfer sewage to Genesee County's treatment plant.

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are reported as fiduciary funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**I. Summary of significant accounting policies - (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all property taxes and interest income.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish *operating* revenue and expenses from *non-operating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

**2. Receivables and payables**

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade, notes, contracts and property tax receivables are shown net of an allowance for uncollectibles.

**3. Prepaid items**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**I. Summary of significant accounting policies - (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

4. Capital assets

Restricted cash- Proceeds from the issuance of debt are restricted for the construction of a new senior citizens center.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water System	60 years
Sewer System	100 years
Machinery and equipment	5-20 years
Buildings and building improvements	10-50 years
Roads and sidewalks	5-30 years
Drains	40 years

5. Accumulated unpaid sick and vacation pay

Employees' unused sick time is paid out in cash at the end of the year. It is the Township's policy to permit employees to accumulate earned but unused vacation pay benefits. The balance of vacation time owed at year end is immaterial and thus not recorded in the government-wide financial statements

6. Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**I. Summary of significant accounting policies - (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

9. Property tax revenue

Property taxes are levied on December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 tax is levied and collectible on December 1, 2005, and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operation.

The 2005 taxable valuation of the Township totaled \$331.9 million (a portion of which is abated and a portion of which is captured by the TIFA). Taxes were levied as follows:

<u>Purpose</u>	<u>Millage Rate</u>	<u>Revenue</u>
General operating	2.04	\$ 619,264
Roads	1.00	303,553
Fire	<u>1.00</u>	<u>331,500</u>
Total	<u>4.04</u>	<u>\$1,254,317</u>

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**II. Stewardship, compliance, and accountability**

**A. Budgetary information**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to November 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other Township funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts, however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. The amount of encumbrances at year end is not known. Also, all budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budget appropriations lapse at year-end except for approved contracts which are appropriated on a contract (grant) length basis.

Budgeted amounts are reported on the financial statements as originally adopted and as amended by the Township Board.

Upon amending the budget for the Building Inspection Fund the Township inadvertently adopted budget projecting a deficit in fund balance.

**A. Deposits and investments**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated ten banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**III. Detailed notes on all funds**

**A. Deposits and investments – (continued)**

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,088,632 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity Less than 1 Year</u>
U.S. Agency Securities	\$1,200,008	\$1,200,008

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, collateralized securities of \$1,200,008 were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no policy that further limits its investment choices. As of year end, the credit quality ratings of debt securities (other than U.S. government) are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Rating</u>
Mutual fund	\$ 178,719	Not available
Sweep account	1,977,000	Not available

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**III. Detailed notes on all funds – (continued)**

**B. Receivables**

Receivables as of December 31, 2006 for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Sanitation</u>	<u>Nonmajor Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$1,430,678	\$ -	\$ -	\$ -	\$1,430,678
Accounts	95,228	-	1,553	-	96,781
Special assessments	-	635,392	-	-	635,392
Gross receivables	1,525,906	635,392	1,553	-	2,162,851
Less: allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$1,525,906</u>	<u>\$635,392</u>	<u>\$ 1,553</u>	<u>\$ -0-</u>	<u>\$2,162,851</u>

Business-type activities:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Receivables:			
Accounts	\$ 38,075	\$ -	\$ 38,075
Unbilled utility charges	260,072	-	260,072
Delinquent fees	114,844	10,025	124,869
Special assessments	12,810	41,540	54,350
Tap-in contracts	5,207	7,192	12,399
Gross receivables	431,008	58,757	489,765
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$431,008</u>	<u>\$ 58,757</u>	<u>\$489,765</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Special assessment	\$ 635,528
Property taxes	<u>1,430,649</u>
	<u>\$2,066,177</u>

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**III. Detailed notes on all funds – (continued)**

**C. Capital assets**

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Reclassification</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 495,758	\$ -	\$ -	\$ -	\$ 495,758
Construction in progress	722,376	(637,326)	566,250	-	651,300
Total capital assets, not being depreciated	1,218,134	(637,326)	566,250	-	1,147,058
Capital assets, being depreciated:					
Roads, sidewalks and drains	3,479,092	-	11,487	-	3,490,579
Buildings	2,354,267	637,326	1,900,191	-	4,891,784
Machinery and equipment	498,779	-	-	-	498,779
Total capital assets being depreciated	6,332,138	637,326	1,911,678	-	8,881,142
Less accumulated depreciation for:					
Roads, sidewalks and drains	185,024	-	179,625	-	364,649
Buildings	792,261	-	114,257	-	906,518
Machinery and equipment	408,937	-	22,849	-	431,786
Total accumulated depreciation	1,386,222	-	316,731	-	1,702,953
Total capital assets, being depreciated, net	4,945,916	637,326	1,594,947	-	7,178,189
Governmental activities capital assets, net	<u>\$ 6,164,050</u>	<u>\$ -</u>	<u>\$2,161,197</u>	<u>\$ -</u>	<u>\$8,325,247</u>
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 55,200	\$ -	\$ -	\$ -	\$ 55,200
Construction in progress	1,106,808	(1,106,808)	-	-	-
Total capital assets, not being depreciated	1,162,008	(1,106,808)	-	-	55,200
Capital assets, being depreciated:					
Buildings and system	10,850,864	1,106,808	1,179,955	-	13,137,627
Machinery and equipment	4,275	-	-	-	4,275
Total capital assets, being depreciated	10,855,139	1,106,808	1,179,955	-	13,141,902
Less accumulated depreciation for:					
Buildings and system	2,656,865	-	160,012	-	2,816,877
Machinery and equipment	4,275	-	-	-	4,275
Total accumulated depreciation	2,661,140	-	160,012	-	2,821,152
Total capital assets, being depreciated, net	8,193,999	1,106,808	1,019,943		10,320,750
Business-type activities capital assets, net	<u>\$ 9,356,007</u>	<u>\$ -</u>	<u>\$1,019,943</u>	<u>\$ -</u>	<u>\$10,375,950</u>



**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**III. Detailed notes on all funds – (continued)**

**C. Capital assets – (continued)**

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 82,890
Public safety	49,398
Public service	<u>184,443</u>
Total depreciation expense – governmental activities	<u>\$316,731</u>
Business-type activities:	
Sewer	\$ 87,723
Water	<u>72,289</u>
Total depreciation expense – business-type activities	<u>\$160,012</u>

**Discretely presented component units**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-District Authority:</b>				
Capital assets, not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets, not being depreciated	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Capital assets, being depreciated:				
Buildings	36,900	-	-	36,900
Equipment	71,898	312	-	72,210
Total capital assets, being depreciated	<u>108,798</u>	<u>312</u>	<u>-</u>	<u>109,110</u>
Less accumulated depreciation for:				
Buildings	1,883	922	-	2,805
Machinery and equipment	10,343	6,482	-	16,825
Total accumulated depreciation	<u>12,226</u>	<u>7,404</u>	<u>-</u>	<u>19,630</u>
Total capital assets, being depreciated, net	<u>96,572</u>	<u>(7,092)</u>	<u>-</u>	<u>89,480</u>
Authority capital assets, net	<u>\$ 111,572</u>	<u>\$ (7,092)</u>	<u>\$ -0-</u>	<u>\$104,480</u>

Land was purchased from the State of Michigan in 2003 for \$15,000 for which the use is restricted as a park for ten years.

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**III. Detailed notes on all funds – (continued)**

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances at December 31, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$168,180
General	Sanitation	2,250
General	Capital Projects	76,981
Building Inspection	General	2,305
Water	General	186,053
Water	Sewer	52,557
Sewer	Building Department	3,797
Total		<u>\$492,123</u>

	<u>Transfer In</u>				<u>Total</u>
	<u>Retirement Health Care Fund</u>	<u>Building Inspection Fund</u>	<u>Sewer Utility Fund</u>	<u>Capital Projects Fund</u>	
Transfer out: General fund	<u>\$ 40,000</u>	<u>\$ 43,741</u>	<u>\$249,035</u>	<u>\$ 9,495</u>	<u>\$342,271</u>

The transfers from the General Fund to the Retirement Health Care Fund was made to fund post employment benefit payments; the transfer from the General Fund to the Building Inspection Fund was made to cover the current year fund balance deficit; the transfer from the General Fund to the Sewer Utility Fund represents the movement of resources to be used to service Sewer debt; the transfer from the General Fund to the Capital Projects Fund represents funding of a capital expenditure.

**E. Long-term debt**

County contractual agreements and installment purchase agreements are general obligations of the Township.

The Township was a participant in the county-wide sanitary sewer and water system construction program. This program was financed by general obligation bonds issued by Genesee County. The Township is obligated to assume the portion of the total debt for the construction of the systems within its boundaries. Significant details regarding the Township's obligations are as follows:

The Township has the following long-term debt outstanding as of December 31, 2006:

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at December 31, 2005</u>	<u>Issuances (Retirements) During Year</u>	<u>Balance at December 31, 2006</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
Fire Hall installment purchase	2020	4.72%	\$2,483,600	\$ (63,644)	\$2,419,956	\$ 71,737
Land Contract – Fire Hall property	2007	0.0	230,000	(230,000)	-	-
County road contract	2015	0.0	3,288,295	(600,000)	2,688,295	384,043
2006 Capital improvement bonds	2022	4.9	-	1,900,000	1,900,000	-
			<u>\$6,001,895</u>	<u>\$1,006,356</u>	<u>\$7,008,251</u>	<u>\$455,780</u>

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**III. Detailed notes on all funds – (continued)**

**E. Long-term debt - (continued)**

The county road contract was entered in accordance with Act 51, Public Acts of State 1951, as amended. The act provides that the Township can levy up to 3 mills for the payment of the debt and obligate its available general fund balance.

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at December 31, 2005</u>	<u>Issuances (Retirements) During Year</u>	<u>Balance at December 31, 2006</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>						
Genesee County Sewage Disposal System No. 2 Bonds	2008	5.0%	\$ 582,000	\$ (194,000)	\$ 388,000	\$194,000
Genesee County Sewage Disposal Southeast Extensions to System No. 2 Bonds	2008	5.0	783	(261)	522	261
Genesee County Water Supply System No. 4 Bonds	2008	6.1-6.9	120,000	(40,000)	80,000	40,000
Vienna Meadows Waterline Installment Note	2016	5.44	99,424	(6,920)	92,504	7,302
Haven Street Waterline Installment Note	2016	5.40	78,013	(5,361)	72,652	5,651
Saginaw Road Waterline Installment Note	2016	5.40	192,932	(13,257)	179,675	13,977
Vienna Road Sanitary Sewer Extension Installment Note	2012	3.00	437,500	(62,500)	375,000	62,500
Linden Road Sanitary Sewer Extension Installment Note	2011	5.30	-	1,000,000	1,000,000	179,894
Total business type activities			<u>\$1,510,652</u>	<u>\$ 677,701</u>	<u>\$2,188,353</u>	<u>\$503,585</u>

The water and sewer operating revenues are the primary sources of repayment for the general obligation contracts, and all installment notes except the Vienna Road Sanitary Sewer Extension Installment note. The latter is supported by the Business Development Authority tax increment financing revenues.

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**III. Detailed notes on all funds – (continued)**

**E. Long-term debt – (continued)**

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 455,780	\$ 114,263	\$ 503,585	\$105,111
2008	565,166	216,285	514,556	77,953
2009	575,995	195,248	291,921	57,223
2010	587,335	186,008	304,130	43,028
2011	600,211	176,232	316,990	28,185
2012-2016	2,173,596	704,640	257,171	35,026
2017-2021	1,895,168	302,574	-	-
2022	155,000	7,595	-	-
Total	<u>\$7,008,251</u>	<u>\$1,902,845</u>	<u>\$2,188,353</u>	<u>\$346,526</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of townships cannot exceed 10 percent of the assessed real and personal property in the Township. As of December 31, 2006, the Charter Township of Vienna had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempt from consideration in the 10 percent limit computation.

Act 99, Public Acts of State 1933, authorizes the Township to use installment purchase agreements. However, the contracts outstanding for the Township may not exceed 1.25 percent of the Township's assessed value. As of December 31, 2006, the Charter Township of Vienna had the following legal debt margin for installment purchase agreements:

Total assessed valuation	<u>\$413,739,900</u>
Debt limit – 1.25 percent of total assessed valuation	\$ 5,171,749
Less amount of debt applicable to debt limit	<u>2,419,956</u>
Unused debt limitation	<u>\$ 2,751,793</u>

**IV. Other information**

**A. Retirement plans**

1. The Township has an employer defined contribution pension plan administered by Nationwide Retirement Services, covering substantially all full-time employees. Fourteen (14) percent of projected base wages plus administrative costs is contributed to the plan by the Township at the beginning of the year. The employee is required to contribute a minimum of 5 percent. The Township's policy is to fund pension costs accrued on an annual basis. Employer contributions for the year were \$20,249. The pension, as established, does not recognize prior service costs, as it is based exclusively on current compensation earned by participants.

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**IV. Other information – (continued)**

**A. Retirement plans – (continued)**

2. Defined benefit pension plan

Plan description:

The Township participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Township. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes the financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding policy:

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 5 percent of gross wages for general employees.

Annual pension cost:

For year ended December 31, 2006 the Township's annual pension cost of \$51,910 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at November 1, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 8.0 investment rate of return, and (b) projected salary increases of 0-4.16 percent per year. Both (a) and (b) include an inflation component of 4.5 %. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Two year trend information:

	<u>Year Ended</u>	
	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 33,623	\$ 51,910
Percentage of APC Contributed	100%	100%
Net Pension Obligation	\$ -	\$ -

**B. Joint ventures**

Clio Area Fire Authority:

In April 1976, the Charter Township of Vienna entered into a joint venture with the City of Clio and the Township of Thetford to create the Clio Area Fire Authority. The purpose of this joint venture was to obtain adequate fire protection for residents of the municipalities. The agreement calls for each of the three municipalities to pay the Fire Authority such amounts as are necessary to cover one-third of the fixed operational costs of the Fire Authority. During 1992, the three members approved a 1 mill levy to be collected from their respective property owners, to be used to fund operations of the Authority. The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share shall be determined by unanimous consent of the members. The one mill levied by the Authority during 2006 was \$531,720. Vienna Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**IV. Other information – (continued)**

**B. Joint ventures - (continued)**

Clio Area Fire Authority: - (continued)

The following is a summary of selected financial information from the last available statement of the Clio Area Fire Authority:

	Year Ended <u>March 31, 2006</u>
Total assets	\$1,406,366
Total liabilities	42,373
Total net assets	1,363,993
Total revenues	574,341
Total expenditures	504,455

Clio Area Library:

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio.

The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents. The contribution paid by Vienna Township during 2006 was \$26,671.

Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and, upon a favorable vote of the majority, will be released from the agreement.

The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Township, the distribution of equipment or cash equivalent to the withdrawing unit's share would be determined by unanimous consent of the members. Vienna Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The following is selected financial information of the Clio Area Library from the latest audited financial statements:

	Year Ended <u>June 30, 2006</u>
Total assets	\$267,516
Total liabilities	-
Total net assets	267,516
Total revenues	43,265
Total expenditures	51,248

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**IV. Other information – (continued)**

**C. Risk management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**D. Post-employment benefits**

Post-employment benefits are offered in accordance with Public Employee Health Care Fund Investment Act (Act No. 149 of 1999). Employees who meet certain point requirements (based on age and years of service) are eligible to receive post-employment benefits upon retirement in the form of health care, vision, and dental insurance benefits. The Township funds these costs on a pay-as-you-go basis. The amounts are recorded as expenditures when the fund liability is incurred. The benefit amounts incurred totaled \$32,025 during the year ended December 31, 2006. The total number of eligible retirees amounted to 3 individuals at December 31, 2006 with 3 participating. There are no provisions for employee contributions.

**E. Construction code revenue/expenditures**

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the former presentation. The activity related to construction code activity is shown in the Building Inspection Special Revenue Fund.

**F. Construction commitments**

The Township has active construction projects at year end. The projects include the fire hall project. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Fire hall	\$2,767,518	\$ 30,000
Linden Rd Sanitary Sewer	841,568	349,658
Senior Center	441,236	1,467,433
Total	<u>\$4,050,322</u>	<u>\$1,847,091</u>

**Charter Township of Vienna**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**IV. Other information – (continued)**

**G. Net assets**

The balance of the net assets of the Sanitation Fund at December 31, 2005 has been restated to correct an error. The adjustment is related to the December 1, 2005 assessment that was recorded as revenue at the fund level in 2005 but should have been deferred until 2006.

Net assets at December 31, 2005,	
as previously reported	\$ 681,828
Adjustment to defer special assessment revenue	<u>(630,224)</u>
Net assets at December 31, 2005, as restated	<u><u>\$ 51,604</u></u>

**H. Upcoming reporting changes**

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pension*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010. Management is currently assessing the impact of this new accounting standard on the Township’s financial statement for future reporting periods.



## **Required Supplementary Information**

**Vienna Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule-General Fund**  
**Year Ended December 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes	\$ 1,233,000	\$ 1,233,000	\$ 1,255,016	\$ 22,016
Licenses and permits	7,300	7,300	7,631	331
Intergovernmental - state	1,025,400	1,025,400	1,004,094	(21,306)
Charges for services	348,805	364,700	374,314	9,614
Interest income	30,000	78,000	91,563	13,563
Miscellaneous	162,200	325,400	340,989	15,589
Total revenue	2,806,705	3,033,800	3,073,607	39,807
<b>Expenditures</b>				
General government:				
Township Board	223,250	200,700	184,311	16,389
Supervisor	74,000	72,125	68,743	3,382
Assessor	138,650	134,400	130,422	3,978
Elections	14,100	15,200	14,882	318
Clerk	65,200	69,000	67,056	1,944
Treasurer	72,500	69,500	67,539	1,961
Township hall and grounds	67,400	81,600	77,738	3,862
Cemetery	23,400	26,500	24,128	2,372
Planning department	58,005	49,500	44,680	4,820
Parks and recreation	24,800	15,600	14,833	767
Senior center	85,900	71,000	68,304	2,696
Public safety:				
Police	892,075	979,800	968,973	10,827
Fire	315,000	331,800	331,795	5
Public service	297,700	144,000	136,258	7,742
Debt service:				
Principal	563,650	663,700	663,644	56
Interest	116,400	116,400	116,356	44
Capital outlay	100	100	-	100
Total expenditures	3,032,130	3,040,925	2,979,662	61,263
<b>Excess (Deficiency) of Revenue Over Expenditure:</b>	(225,425)	(7,125)	93,945	101,070
<b>Other Financing Uses- transfers out</b>	(263,400)	(397,000)	(342,271)	54,729
<b>Net change in fund balances</b>	(488,825)	(404,125)	(248,326)	155,799
<b>Fund Balances-Beginning of year</b>	2,061,518	2,061,518	2,061,518	-
<b>Fund Balances-End of year</b>	<b>\$ 1,572,693</b>	<b>\$ 1,657,393</b>	<b>\$ 1,813,192</b>	<b>\$ 155,799</b>

Note - The budget is prepared in accordance with generally accepted accounting principles except that proceeds from the sale of the cell tower lease were budgeted as miscellaneous revenues rather than a special item.

**Vienna Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule-Sanitation Fund**  
**Year Ended December 31, 2006**

		Sanitation Fund			
		Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>					
Special assessments		\$ 643,400	\$ 643,400	\$ 630,224	\$ (13,176)
Interest		8,000	8,000	15,314	7,314
Miscellaneous		6,100	6,100	5,759	(341)
Total revenue		657,500	657,500	651,297	(6,203)
<b>Expenditures</b>					
Sanitation		660,930	660,930	652,381	8,549
Total expenditures		660,930	660,930	652,381	8,549
<b>Excess (Deficiency) of Revenue Over Expenditures</b>		(3,430)	(3,430)	(1,084)	2,346
<b>Fund Balances-Beginning of year, as restated</b>		51,604	51,604	51,604	-
<b>Fund Balances-End of year</b>		<b>\$ 48,174</b>	<b>\$ 48,174</b>	<b>\$ 50,520</b>	<b>\$ 2,346</b>

Note - The budget is prepared in accordance with generally accepted accounting principles.

## **Supplementary Section**

**Charter Township of Vienna  
Nonmajor Governmental Funds  
Summary Descriptions  
December 31, 2006**

The Township reports the following nonmajor governmental funds:

Special Revenue Funds:

Building Inspection Fund – To account for revenues and expenditures related to building inspection activities.

Retirement Health Care Benefit Fund – This fund is used to account for charges for services to other funds which are to be used to pay retiree health care benefits.

**Vienna Township  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2006**

	<u>Special Revenue Funds</u>		Total
	Building	Retirement	Nonmajor
	Inspection	Health Care	Governmental
		Benefit	Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 30,042	\$ 14,877	\$ 44,919
Investments	-	79,947	79,947
Accounts receivable	1,553	-	1,553
Due from other funds	2,305	-	2,305
Total assets	<b>\$ 33,900</b>	<b>\$ 94,824</b>	<b>\$ 128,724</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 11,703	\$ -	\$ 11,703
Deposits	18,400	-	18,400
Due to other funds	3,797	-	3,797
Total liabilities	33,900	-	33,900
<b>Fund Balances</b>			
Unreserved, designated for retirement health care benefit	-	94,824	94,824
Total fund balances	-	94,824	94,824
Total liabilities and fund balances	<b>\$ 33,900</b>	<b>\$ 94,824</b>	<b>\$ 128,724</b>

**Vienna Township**  
**Combining Statements of Revenue, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2006**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Building Inspection	Retirement Health Care Benefit	
<b>Revenue</b>			
Licenses and permits	\$ 146,381	\$ -	\$ 146,381
Interest	605	8,946	9,551
Miscellaneous	2,135	-	2,135
Total revenue	149,121	8,946	158,067
<b>Expenditures</b>			
Public safety-building inspection	192,862	-	192,862
Retirement benefits	-	32,025	32,025
Total expenditures	192,862	32,025	224,887
<b>Excess of Expenditures Over Revenue</b>	(43,741)	(23,079)	(66,820)
<b>Other Financing Sources</b>			
Transfers in	43,741	40,000	83,741
<b>Net change in fund balances</b>	-	16,921	16,921
<b>Fund Balances-Beginning of year</b>	-	77,903	77,903
<b>Fund Balances-End of year</b>	<b>\$ -</b>	<b>\$ 94,824</b>	<b>\$ 94,824</b>

**Vienna Township**  
**Budgetary Comparison - Nonmajor Governmental Funds**  
**Special Revenue Funds**  
**Year Ended December 31, 2006**

Building Inspection Fund				
	Original	Amended		Variance with
	Budget	Budget	Actual	Amended
Revenue				Budget
Licenses and permits	\$ 236,800	\$ 140,760	\$ 146,381	\$ 5,621
Interest	100	100	605	505
Miscellaneous	300	2,000	2,135	135
Total revenue	237,200	142,860	149,121	6,261
Expenditures				
Public safety-building inspection	217,650	203,000	192,862	10,138
Retirement benefits	-	-	-	-
Total expenditures	217,650	203,000	192,862	10,138
Excess (Deficiency) of Expenditures Over Revenue	19,550	(60,140)	(43,741)	16,399
Other Financing Sources				
Transfers in	-	42,000	43,741	-
Net change in fund balances	19,550	(18,140)	-	16,399
Fund Balances-Beginning of year	-	-	-	-
Fund Balances-End of year	\$ 19,550	\$ (18,140)	\$ -	\$ 16,399



Retirement Health Care Benefit Fund

Original Budget	Amended Budget	Actual	Variance with Amended Budget
\$ - 4,000 -	\$ - 4,000 -	\$ - 8,946 -	\$ - 4,946 -
4,000	4,000	8,946	4,946
-	-	-	-
-	32,200	32,025	175
-	32,200	32,025	175
4,000	(28,200)	(23,079)	5,121
40,000	40,000	40,000	-
44,000	11,800	16,921	5,121
77,903	77,903	77,903	-
<b>\$ 121,903</b>	<b>\$ 89,703</b>	<b>\$ 94,824</b>	<b>\$ 5,121</b>



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March 27, 2007

Township Board  
Vienna Township  
3400 W. Vienna Road  
Clio, Michigan 48420

Dear Board Members:

We recently completed our audit of Vienna Township (the "Township") financial statements for the year ended December 31, 2006. In conjunction with the audit, we have the following information to communicate to you for your review and consideration.

The Township continues to improve the condition of its financial records and strengthen its internal controls.

### **Retiree Health Care Benefits**

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The intent of the new rules

is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government wide financial statements, rather than the individual fund level. The Township currently pays for premiums on a pay-as-you-go basis. The Township will need to decide how much of the total obligation to fund which may have an impact on the manner in which the benefit is budgeted.

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any under funding must be reported as a liability on the government wide statement of net assets. This valuation will need to be performed by an actuary only if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. Plans with fewer than 100 participants may either hire an actuary, or perform the calculation themselves (at least every three years).

This statement is effective for the fiscal year beginning January 1, 2009. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates. The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the “interperiod equity” issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year’s contribution. So - funding the contribution will actually reduce your long run cost.

## Legislative Update

### Revenue Sharing (Updated March 2007)

The future of the State’s revenue sharing program may be directly tied to the condition of the State’s budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State’s budget. The State’s budget shortfalls continue to be significant. The magnitude of the State’s deficit has become even more pronounced after the State’s January 2007 revenue estimating conference. According to economists, Michigan’s budget is \$3 billion short of the revenue needed to cover basic services this year and next (State fiscal year’s 2006/2007 and 2007/2008). The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County participation in Statutory Revenue Sharing** In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a “reserve fund” which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the “revenue sharing formula” and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue Sharing formula expires in 2007** Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changing Michigan Business Tax Structure** The Michigan Single Business Tax has been eliminated effective December 31, 2007 which will result in the loss of \$1.9 billion from the State’s budget in 2008. The Governor’s fiscal year 2007/2008 budget recommends replacing a majority of the repealed Single Business Tax revenue with a new Michigan Business Tax and the enactment of a new excise tax on service providers. The new Michigan Business Tax (“MBT”) is projected to generate approximately \$480 million less annually in revenue than currently generated by the Single Business Tax but the new two percent excise tax on most services is projected (if effective on June 1, 2007) to raise about \$576 million in the remainder of the fiscal 2006/2007 to help with State’s

budget deficit for that year and to raise \$1.47 billion in the State's fiscal year 2007/2008. The Governor's budget also includes several other tax increases and changes. Much debate will occur prior to the enactment of a final tax structure plan.

As introduced, the Governor's budget for fiscal year 2007/2008 includes a revenue sharing increase of \$27 million to be distributed using the three part formula currently contained in the revenue sharing act (taxable value per capita, population/unit type and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not been announced yet, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments.

While the debate has begun, there still remain considerably more questions than answers regarding long-term funding of statutory revenue sharing. **Additionally, there are several practical short term concerns including:**

- If revenue sharing cuts are enacted for the State's fiscal year 2006/2007, then these unplanned revenue sharing payment reductions could impact the Township's year ending December 31, 2007. However, the amounts may not be known until spring or summer providing local governments will little or no time to react.
- Final decisions on revenue sharing funding levels for the State's fiscal year 2007/2008 will likely not be complete in time for local governments working on 2008 budgets.

The following chart depicts the Township's actual and estimated revenue-sharing payments over a five year period - from the State's fiscal year ended September 30, 2002 through the estimated amounts for fiscal year ending September 30, 2007:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Constitutional	\$859,272	\$873,819	\$864,327	\$884,953	\$900,019	\$898,345
Statutory	315,413	276,747	169,747	137,850	111,404	94,721
Total	<u>\$1,174,685</u>	<u>\$1,150,566</u>	<u>\$1,034,074</u>	<u>\$1,022,803</u>	<u>\$1,011,423</u>	<u>\$993,066</u>
Increase (decrease)		-\$24,119	-\$116,492	-\$11,271	-\$11,380	-\$18,357
% Change		-2%	-10%	-1%	-1%	-2%

While the significant declines in this funding source experienced in recent years appear to have slowed, it is clear that the total amount of money distributed is unlikely to increase without significant changes to the State's revenue structure. This has clearly impacted the Township's ability to finance operations and capital spending. As of now, there appears to be no long-term solution to the State's structural deficit in its General Fund, and as long as this condition exists, revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

It is important to recognize that the authority for the statutory portion of revenue sharing terminates on September 30, 2007. This portion represents approximately 10 percent of the Township's total state-shared revenue recorded in its General Fund. We have not heard any significant discussion in Lansing regarding the plans for renewal at this time, but it would be appropriate to begin discussions with your state representative regarding the importance of the revenue-sharing program. The long-run health of the state-shared revenue may well be dependent on the State's current project to reform its business tax structure. We continue to urge the Township to be conservative in its estimation of state-shared revenues as this line item in the State's budget remains vulnerable. We will continue to update the Township as developments occur.

### **Personal Property Tax (Updated March 2007)**

Over the last six years, the State's personal property tax laws and regulations have changed substantially. In 2000, the State Tax Commission updated the general business depreciation tables that are used to calculate personal property taxes, resulting in approximately 10% drop in property tax revenue. In addition, the State Tax Commission also approved new personal property tax tables for utilities which made drastic changes to transmission and distribution property of utilities (resulting in approximately 30% revenue loss to local units of government). Also, the Michigan Supreme Court in WPW Acquisition Co v. City of Troy ruled that the Proposal A cap prevents assessors from increasing the taxable value of commercial rental property above the rate of inflation using the occupancy methodology even when reductions in taxable value were previously granted due to a decrease in occupancy.

Further reductions to personal property tax remain part of the State's tax structure discussions. Personal property taxes are a significant revenue source to many local governments. For the Township, personal property tax represents 4-5% of its tax base. If the State's new business tax structure provides personal property tax relief, the question is will local governments be held harmless by the State and to what extent? The Governor's tax plan as introduced proposes to change the property tax system to mitigate the impact of the WPW case. A similar attempt to make this correction occurred in 2005 and 2006 with no success.

### **New Cable Franchise Legislation (Updated March 2007)**

The Governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act" which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5% of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2% of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date, in order to enter into this new local franchise agreement under the statewide framework.

**Local units of government will be impacted in the following ways:**

Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.

To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.

A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bills franchise fee.

Audits of the video service providers' calculation of gross revenue is limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

**Property Tax Legislation (Updated March 2007)**

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent – until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the “uncapped” value or the “pop-up” value. As several published studies and reports have demonstrated, the treatment of “uncapped” values or the “pop up” amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- House Bill 4440 This bill establishes an 18 month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- House Bill 4441 This bill increases the real estate transfer tax by .10% and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.

- House Bill 4442 This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

### **Bonding to fund Liability for Other Post Employment Benefits (Updated September 2006)**

The day quickly approaches for local governments to measure the liability for non-pension benefits granted to government employees at retirement (most notably retiree health care). Once these benefits are measured, local governments will face the tough choice of advance funding these benefits (which some are doing now), remain on a pay-as-you go plan (which is the path for most local governments) or a combination thereof. To provide local governments with additional funding options, legislation was introduced in 2006 which would allow for bonding as a funding tool. The legislation was passed by the Michigan Legislature and vetoed by the Governor. The legislation is likely to be reconsidered in 2007.

### **Municipal Finance Act Revisions – REMINDER**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township’s year end December 31, 2006 and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units.

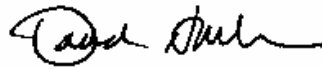
**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements-** In addition to the comments and recommendations listed above a report on internal control over financial reporting and on compliance and other matters was issued in conjunction with the audit. Within the report it notes that the Township restated the fund balance of the Garbage Fund Special Revenue Fund to recognize revenue for the annual assessment in the year the related expenditures are incurred and budgeted for. In accordance with the new Statement on Auditing Standard No. 112 this restatement is technically considered a material weakness in internal controls over financial reporting due to the size of the adjustment. This report letter has been issued separately.

We would like to thank all of the Township’s personnel for their assistance during the audit. We understand that the initial year with a new audit firm is additional work for all involved, and we appreciate the patience extended to us.

If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Tadd Harburn", written in a cursive style.

Tadd Harburn, CPA





Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based  
on an Audit of the Financial Statements

To the Members of the Township Board  
Charter Township of Vienna  
Genesee County, Michigan

Dear Board Members:

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Vienna as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated March 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiency that would be considered a significant deficiency in internal control over financial reporting.

To the Members of the Township Board  
Charter Township of Vienna

Since the inception of the assessment many years ago, the Garbage Special Revenue Fund has recognized the December 1 assessment as revenue in the year of the assessment. During the audit, in working with the Township management to further explore and confirm what fiscal year the Township budgets for the assessment it was determined that the Township technically views the December 1 assessment as revenue available to fund expenditures of the subsequent year. Given that premise, proper accounting for this assessment then is to defer the revenue for this assessment at the fund level at December 31. As a result, a restatement of fund balance for the Garbage Special Revenue Fund was made by the Township.

Going forward the revenues budgeted will be in the same period as the expenditures and the amount of fund balance at year end will conservatively reflect the amount of funds available to be carried into the next year.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Because of the size of the adjustment we consider the significant deficiency stated above to be a material weakness.

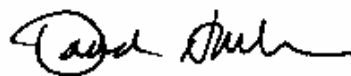
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters.

This report is intended solely for the information and use of management, the members of the Township Board, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Tadd Harburn", written in a cursive style.

Tadd Harburn, CPA